

EXHIBIT O

A P P E N D I X B

HOW THE INCOME AND WEALTH ESTIMATES WERE MADE

GIVEN THE STRICT FINANCIAL SECRECY OF THE CHURCH OF JESUS CHRIST of Latter-day Saints and the difficulty of the task, how did this book come up with its account of the scope of the Mormon economic empire? Part of the answer is that reporter S. C. Gwynne was given more than routine access to inside church sources and acquired some official information on assets and internal operations as a starting point. Among others, he interviewed Presiding Bishop David Burton (in LDS parlance, the church's chief financial officer) and Rodney Brady, head of Deseret Management Corporation, which holds most of the church's subsidiary companies, its media holdings, farm and ranch system, life insurance company, and other interests. Brady, for example, discussed specific sales figures for Bonneville, the giant media holding company, and specific assets and capital figures for Beneficial Life, the \$16 billion insurance company that is wholly owned by the LDS church. Richard Ostling also touched on finances in his interview

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with church President Gordon B. Hinckley. Finally, our research benefited from sources who necessarily must remain anonymous.

Though the church authorities steadfastly refused to provide aggregate numbers, certain things they said during the interviews turned out to be extremely useful. Most useful of all was Burton's remark that the tithe was "90 percent" of the church's income. Knowing the tithe, then, would indicate how much income the church makes from its other assets and also allow an estimate of the size of those earning assets. Presumably the other 10 percent would include only the income from church-controlled businesses that is actually paid to the church as dividends, rents, or royalties, not the total income of those commercial entities. Nor would such cash transactions reflect appreciation in asset values, which no doubt are very substantial but do not count unless an asset is sold and the gain actually realized.

Before turning to the several approaches that were used in this book, it should be stated that these can be only rough estimates. No one outside of the First Presidency, the Quorum of the Twelve, and the Presiding Bishopric knows the real aggregates. But there are ways to double-check an estimate, and where possible we used two different calculating techniques to estimate the size of the church's income and assets.

Broadly speaking, the church derives income from two sources: tithing, which Burton said provides by far the largest share; and income from church investments, including both stocks and bonds passively held and direct investments in ranching, media, financial, real estate, and other interests that the church owns. We were able to work from some individual numbers, such as the \$172 million in revenue made by Bonneville Corporation. But there was no easy way to get at some of the other corporate revenue.

And there was no direct way at all to get at tithing figures. So to find an estimate we looked for the closest comparable denomination of some size with a commitment to both open records and tithing, in order to examine contributions from both U.S. and (vastly different) international memberships. We settled on the Seventh-day Adventist Church, which emphasizes tithing and perpetuates a similarly disciplined, close-knit fellowship. The worldwide memberships are similar (9.3 million for the Adventists

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and 9.7 million for the Mormons in 1996), although a far higher percentage of Adventists live overseas.

In 1995, the last year for which complete Adventist numbers were available, the average annual contribution per U.S. baptized member (neither denomination baptizes infants) was \$989, and \$77 per foreign member. There is a general consensus among observers that the Mormons place heavier emphasis on the tithe than do the Adventists and are more successful in harvesting it. For one thing, Mormons who do not tithe are not allowed inside temples, a central aspect of their religious life. Of course, the socioeconomic status of the two groups would affect comparisons, both in the United States and overseas, but we lacked sufficient data to adjust for that.

Nonetheless, the situations are roughly comparable, and while a straight correlation between the tithing of one church and the other is almost certainly inaccurate, we are convinced that the following projection errs on the conservative side. The U.S. Mormon membership multiplied by the average U.S. Adventist contribution would yield revenues of \$4,903,875,402. The foreign Mormon membership multiplied by the foreign Adventist average of \$77 would yield \$364,651,749. The projected annual worldwide LDS membership contributions would thus be roughly \$5.3 billion as of 1995. Interestingly, in 1991 the *Arizona Republic* ran similar equations based on giving in the Church of the Nazarene and came up with \$4.3 billion, which, adjusted for inflation, is not far from our number.

For the Mormon Church to insist that the \$5.3 billion is "greatly exaggerated" would be to admit that it is far less efficient than the Adventist Church in pulling in the tithe. From what we know, that is something that few Mormons and hardly anyone in the wider religious community at large would believe. On the other hand, one unknown factor is the degree to which baptized LDS members on the rolls are inactive and noncontributing. Also, the LDS membership could include more children and nonworking spouses without income than that of the Adventists or other groups. As indicated, one knowledgeable source thought \$4.25 billion would be a safer estimate, so the Adventist-based projection of \$5.3 billion may be high. In any case, it is of the correct order of magnitude.

The next step, figuring out church income from investments, could then be taken according to the presiding bishop's ratio. If \$5.3 billion in

member contributions is 90 percent of revenues, by the reckoning provided us by Presiding Bishop Burton total revenues would be around \$5.9 billion. Or by the more cautious reading of tithing income, it would be just under \$5 billion. In either case, the numbers are likewise within the correct order of magnitude.

Estimating annual investment income at a total of \$600 million allows us in turn to make at least a general stab at estimating the size of that portfolio. If we assume Mormons are competent enough managers to make a 10 percent return on assets after taxes (in the 1990s its stock portfolios would almost certainly be doing double that, balancing out whatever shortfalls there might be among the church's corporate investments), then a reasonable estimate for invested assets would be \$6 billion. That estimate was corroborated by an informed source.

Looking just at investment portfolios, John Heinerman and Anson Shupe's 1985 *The Mormon Corporate Empire* estimated value at \$954 million, probably correctly, based on the documents they had. The 1991 *Arizona Republic* estimate was "more than \$1 billion." In addition, there are the direct investments: companies owned by Deseret Management such as Beneficial Life (\$1.6 billion), Bonneville (probably \$350 million or two times sales), commercial real estate investments around the country, and so forth. Compare our \$6 billion estimate with the *Arizona Republic's* estimate that as of 1991 total investment "easily exceeds \$5 billion."

We have estimated ranches, farms, and accompanying real estate at \$5 billion, though considering the amazing scope of such Mormon investments in the United States, that number is probably low too. Again, we have obtained independent corroboration of this estimate. Of course, it is hard to separate out land value from commercial value (of ranches, for example), and it is also hard to keep track, year in and year out, of how many farms and ranches are in the welfare system—and therefore non-profit and nontaxed—rather than in the church's commercial realm.

Though the *Arizona Republic* listed a great many of these assets, by size and by value, it failed to get a reliable aggregate number. Heinerman and Shupe, whose information in this particular area seems rather good, estimated total farm, ranch, and commercial real estate holdings at \$3 billion as of 1983. Our \$5 billion is an inflation- and growth-adjusted equivalent

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of that number. Some examples suggest that this figure is probably low. For instance, consider just one piece of that empire, the 312,000-acre Deseret Ranch, prime real estate located just outside Orlando, Florida, near Disney World. Based on per-acre real estate prices published in the *Orlando Sentinel*, the value of that land in 1991 was \$858 million, and it is probably much higher now. All told, we calculate that the church owns somewhere in the neighborhood of one million acres of farm and ranch land in the United States.

Our estimates for the value of LDS schools and miscellaneous other holdings is based on the insider numbers obtained in the early 1980s by Heinerman and Shupe. They estimate this number, the largest portion of which is BYU, at \$836 million, which includes church and archival holdings as well as genealogical and historical properties. Because we had very little information about the value of these assets, our own estimate reflects the barest of increases over that number.

Now for the big numbers, which are in many ways the least remarkable and also the least meaningful. We have estimated the value of the church's meetinghouses, temples, and the land they are on at \$18 billion. Once again, we have used "comparables" in our statistical database. In this case, a very close comparable to the LDS church is the Chicago-based Evangelical Lutheran Church in America (ELCA), with a U.S. membership of 5,190,000 and 10,995 local congregations as of 1995. The two denominations have similar demographics, and it would be fair to assume that the real estate holdings for religious use are roughly comparable. For 1995 the ELCA estimated the value of its congregational properties at just under \$11 billion, providing the basis for our \$12 billion in domestic-Mormon Church properties. Though the number of foreign meeting-houses now equals or exceeds those in the United States, we have estimated this value to be only half the value in the United States, or \$6 billion. That would include a type of building (temple) not found in the ELCA. Heinerman and Shupe estimated per-temple value of \$13 million in 1983, and in 1996 the *New York Times* reported a cost of \$18 million per temple. The real estate holdings for religious use are among the most difficult to estimate, in part because the assets are so far-flung and numerous. Bishop Burton said that many meetinghouses cost well in excess of \$2 million.

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